



A work project, presented as part of the requirements for the Award of a
Masters Degree from NOVA – School of Business and Economics

Achieving Better Service Level Results, through Improvements in Procedures

Booklet 1 of 2

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Abstract

This project aims to prepare Worten Empresas (WE) fulfilling the increasing market demand through process changings, focusing on the Portuguese market, particularly on internal B2B clients¹.

Several methods were used to measure the current service level provided - process mapping, resources assessment, benchmark and a survey. The results were then used to compare against service level actually desired by WE's customer, and then to identify the performance gaps in response times and quality of the follow-up during the sales process. To bridge the identified gaps, both a set of recommendations and an implementation plan were suggested to improve and monitor customer experience.

This study concluded that it is possible to fulfill the increasing level of demand and at the same time improve customer satisfaction by implementing changes at the operations level.

Key Words

Quality of service; Customer Satisfaction; Customer Loyalty; Operations Management; CRM; KPI; Process Reengineering; SLAs.

Scope, Objective and Overarching Research Question

How can a more detailed knowledge of clients, the proposal of key performance indicators and SLAs, improve the customer service and value (customer satisfaction, loyalty and revenues)?

In times where the work volume is increasing and there is a lack of available resources (both internal and external), WE needs not only to keep up with the increasing demand, but also to improve the quality of the service provided (reduce quote response and delivery times to 1 and 2 days, respectively) and create value added for the clients, working together with its partners.

¹Internal B2B clients – corporate clients who will not export the product bought to WE.

Identify and discuss the relevance of the Overarching Research Question

Currently, WE has few resources available and its processes are very manual and archaic in regards to operations and customer service. As consequence, with the growing demand that WE is facing, the level of the service provided has been decreasing and several complains and refunds occurred. This may result in several risks, including the loss of clients, the increase of customer acquisition cost and difficulties in maintaining satisfied and loyal clients.

These facts lead to the need of studying WE's clients, in order to better understand their needs, as well as choosing the most adequate and necessary processes and resources to provide a superior customer experience. Still, the main priority is to know and understand what is currently the service level provided by WE. Only by matching these two groups of information it will be possible to overcome the current problem.

Map and analyze the Sub research questions associated to the Overarching Research Question and Methodologies

The main Research Question divides into three sub-research questions and respective main KPI's: 1) What is the current level of service provided by WE? KPIs: quote request response time² – 10 days; delivery time³ - 5 days; Percentage of responses in customer satisfaction survey- 11% very satisfied - 18% unsatisfied 2) What are the desired service levels for WE? quote request response time – 1 day; delivery time - 2 days; Percentage of responses in customer satisfaction survey - 30% very satisfied - 5% unsatisfied 3) How can WE identify and improve these service levels? Number of measures successfully⁴ implemented.

² How long it takes since the reception of the quote request from the client until being answered

³ How long it takes since confirmation of the order by the client until be deliver

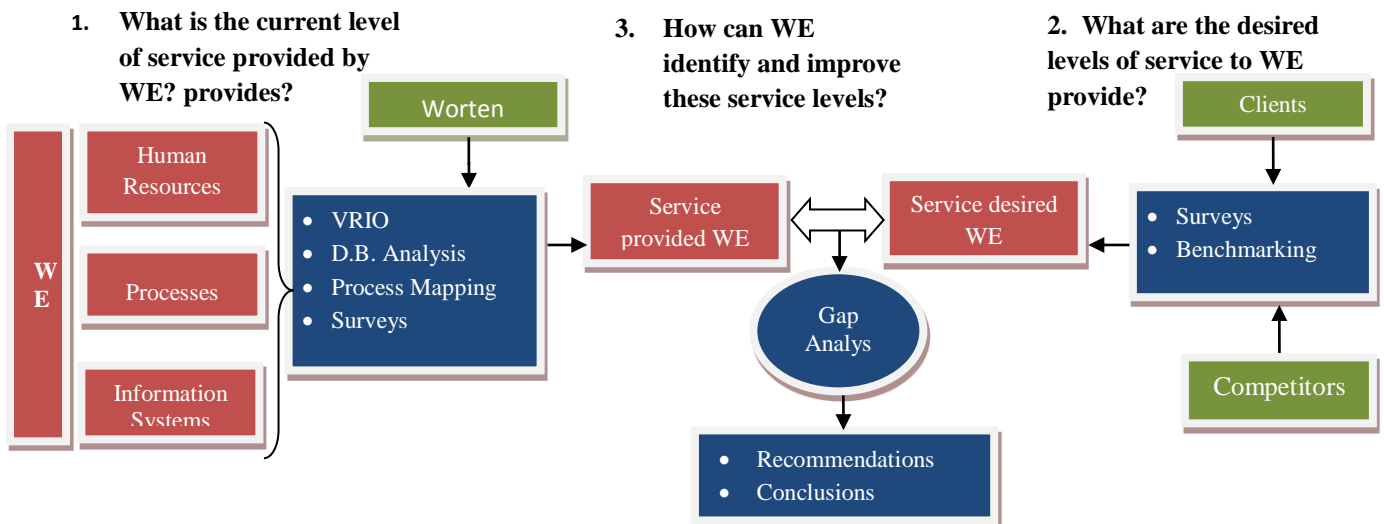
⁴ Based on the established target in the implementation plan

VRIO framework will be used to assess the current resources and capabilities from WE, to answer the first question. This framework will also assess the relevant resources and capabilities from Worten⁵, which could also be used as a source of competitive advantage. A comprehensive data base analysis will be conducted upon the 2013 quote request, leading to a description, at the operational level, of processes, activities and tasks, clearly identifying the respective timings. To understand the current level of satisfaction with the service provided, a survey will be applied to WE's customers and feedback from WE's manager will be collected.

In what concerns the second question, the applied survey will assess the most valuable criteria when choosing the electrical retailing supplier, according to the different WE's segments. This information will be integrated with the benchmark of competition regarding the same criteria, using a report done by Reditus consultancy company.

The information gathered in the previous steps will provide both an as-is and to-be views of the organization and its processes. Based on this, the third question will be answered through the elaboration of a gap analysis - the starting point will be the customer's satisfaction requirements, which will lead to a breakdown analysis so that an improvement plan can be suggested, focused on strategic, resources/capabilities and process levels. The following diagram illustrates it.

Figure 1 – Sub-research questions and the respective methodologies. Source: Own representation



⁵The term "Worten" will be used to refer the individual customers channel, as opposed to WE, which refers to corporate clients channel.

Literature Review

The impact of the quality of service in sustaining quality relationships in B2B context it is proved: the higher is the process service capability, the higher will be the quality of the relationship between the firm and its business clients, as well as higher is the perception from the client of the final results obtained, higher will be the willingness to cooperate of both the firm provider of the service and the client and therefore to adapt to each other (*ZHANG Su-xian, et al 2010*).

When the quality of the service is way below the one desired and perceived by the client, a radical and dramatic change may be need to be adopt. A known tool use for this purpose is the business process reengineering, which enables great improvements in performance cost, quality, service and speed, through the rethinking of whole business process (*Hammer, M. & Champy 1993*). Nevertheless, more recent study indicates that although there are several different approaches of this tool. These approaches can vary from in depth and more risky changes but with more fruitful results (process reengineering) up to superficial and secure changes with smaller impacts on organization performance (process improvement). In the middle of both in terms of riskiness and impact of the changes is the process re-thinking. The more radical are the changes more will be the probability of failure (BPR present a 70% failure rate). So there is no universal approach that will successfully be executed in every organization. (*Habib, Muhammad Nauman, et al 2013*).

The BPR, as the name suggests, indicates process changes. *Laguna Manuel, et al 2011*, presents process management and process-oriented improvement programs to reach improvement on the service provided by the firm. These types of programs suggest a methodology which consists in three phases: the initializations, where it is assigned the process ownership and analyses of boundaries and interfaces; the definition, where the process is defined and a baseline for process evaluation is established. *Laguna Manuel, et al*, also presents the Cross and Associates Framework for Process Reengineering, which consists in three stages: the analysis, the design and the implementation. In the

first phase an in-depth analysis of customer requirements and a review of the current process must be done. The second phase (design) relies on the design principles that fall into 6 categories: service quality, workflow, workspace, continuous improvements, workforce, and information technology. The last phase involves the institutionalization of new design into the day-to-day operations.

The implementation of new process will only be effective, whenever is not possible to measure and monitor those changes. At this point, is paramount to refer the importance in defining KPI's based on Critical Success Factors, "organization's critical success factors (CSFs) should be the source of all performance measures that really matter - the KPIs" (*David Parmenter, 2013*).

Brief historical overview of Sonae

The Sonae Group was founded in 1959 by the engineer Belmiro de Azevedo. Since that time Sonae grew its business from a small industrial company to one of the biggest Portuguese groups with a very large and diversified portfolio of companies. Currently Sonae belongs to the EFANOR group which has three main areas: Sonae, Sonae Industria and Sonae Capital. Inside Sonae there are 6 strategic sub-groups: Sonae MC (food retailing) and Sonae SR (Specialized Retailing) - the core businesses, SonaeCOM and Sonae Sierra - core partnerships-, Investments Management and Sonae RP (retail property). The size and vast range of areas where Sonae operates gives some competitive advantages such as resources sharing, bargaining power with suppliers, unified management culture. This enabled Sonae to become one of the biggest and more successful Portuguese business groups.

Historical framework of WE

WE is a business unit of Worten, which is an electrical retailing company created in 1996, presenting as main business value proposition its price - illustrated by the slogan "our strength is the price". Since its creation, Worten focused on individual customers, disregarding the huge market of corporate clients, which have different needs to be fulfilled. With this problem in mind, in 2009 Worten creates WE, to serve corporate clients from Portugal, taking advantage of the channels already built by

Worten. In 2012 WE expanded to Spain. Still, due to the smaller established network (stores and business support), the lack of reputation of Worten and the lower investment in customer acquisition, today's presence of WE in Spain is insignificant when compared with the presence in Portugal. Since its creation in 2009, WE sales volume has been increasing exponentially⁶. Despite being committed to its clients to offer a quality and personalized service, with tight deadlines, WE has not been able to deliver, as the market demand increase has been highly affecting the quality of service provided.

There are some negative aspects which WE inherited from Worten. First of all, Worten positions itself as being primarily focus on clients, but this positioning it is not totally clear, since sometimes, the cost savings focus prevail over the customer satisfaction. The other potential improvement aspect is related with Worten's investments policy - new projects only receive extra resources or support from the board after market proven. This fact may lead to some constraints in innovation and key projects can potentially "die before they were born".

Current Situation characterization

WE shares the same location with the Worten Contact Center, since the operations related with the inbound and sales process are outsourced to an external firm, Reditus.

Also, a major distinction between sources of revenue needs to be taken in consideration: the exporters and the other B2B clients⁷. The former, uses mainly the WE's Commercial Manager channel, while the latter uses typically the regular WE's channel (WE's operation team). In 2013, WE has been able to reach successfully the exporters' market. Still, despite these clients representing large volume of sales and release cash flow to WE (WE holds that money until delivers to the suppliers), they generate very low profit margins. Given this situation, the current challenge is to grow in the other B2B internal clients (clients that keep in Portugal the product bought). These clients are able to generate higher profit margins, but demand also higher degree of complexity on services, since require capabilities to manage

⁶ More detailed information regarding WE's sales evolution can be consulted in appendixes, internal data section, figure 2

⁷ More information regarding the sources of revenues can be consulted in appendixes, internal data section, table 1

high customer's volume. WE's objective is to first grow in Portugal and then apply the lessons learned to Spanish market. For these reasons, internal B2B clients in Portugal are the current focus of WE.

WE current prices are elaborated based on the Worten's selling price, which is applied a tabulated volume discount until a certain value, after which Worten's commercial managers are consulted.

Worten is the market leader, in terms of market share, in the private segment having great brand awareness. So, despite the low investment in promotion from WE, the internal B2B clients approach directly or indirectly⁸ Worten, when want to buy electronic equipment. As consequence, there is a high volume of quote requests coming every day by the regular channel (12 new quote requests per day).

WE also manages other internal business clients, namely focusing on the Insurance sector and Microsoft. Not only the businesses with exporters, but also the insurance projects are increasing⁹, which leads WE to a potential rapid growth, facing potential lack of allocated resources, driving to poor service (delays) and customer complaints. This lack of resources is related to human resources, IT Resources and, manual procedures (unorganized data and information).

In order to reach concrete data related with the current situation and problems of WE, all 2000 quotes requests sent by clients from January until September from 2013 have been reorganized and analyzed. This data does not include the "Microsoft project" inputs, which has increased a lot the work volume resulting in 14 claims, only coming from the Customer Ombudsman channel and several other coming from unofficial channels. From the analyzed data it was possible to conclude the following important facts: Only 25% of all quote requests have been accepted by the client; 91% of the rejected quote requests didn't answer to WE; Only 4% of all quote requests have been followed up by WE; 75% of the clients do not send more than one quote request; Cross selling was done in 0,45% of all requests.

⁸ Directly – Clients approaches WE using WE's e-mail or phone number

Indirect - Clients approach stores or customer support line who redirect to the WE.

⁹ By informal interviewing WE's head director and by meeting with clients

From these results it is possible to understand that only a small percentage of quote requests are accepted by clients (when compared with the WE established objective of 40%), also that most of the clients are not coming back to WE and that there is a lack of follow up with clients.

Internal Analysis and Business Description

1. Value Proposition

WE value proposition intends to offers to business clients a sales channel with special conditions, that includes competitive prices, favorable payment conditions, free transport and deliveries within 5 days (after order's confirmation) in mainland Portugal, electronically invoicing, after-sales support and guarantee of confidentiality. So far it was not possible to put in place this value proposition. It was only provided to the customers manage by a commercial manager (which are a minority), leaving all the others to unacceptable customer waiting times. This is one of the existing gaps between what WE's offers and what actually provides to its clients.

2. Mission and Values

WE strategic goals include fulfilling the following mission, vision and values:

Mission - To provide electrical retailing and services to corporate which help them to achieve their goals.

WE's Vision – Deliver the latest technology at the best prices to our customers combined with great sales services in 2 years.

Values: “ethics and trust, people in the center of the success, ambition, innovation, social responsibility, frugality, efficiency, cooperation and independence” (www.sonae.pt).

In order to achieve these general goals and the strategic aims of improving customer satisfaction and prepare processes to sustain the increase of demand, some more concrete objectives need to be defined.

3. Main objectives

A set of main quantitative objectives¹⁰ to WE were established for the next year are. Reduction of customer waiting times: delivery time- 2 days, quote request response time –1 day; customer satisfaction: 30% very satisfied, 5% unsatisfied, 40% quote request acceptance, 0 claims and 40% purchase repetition; Revenues from internal clients - \$2M; . This implies a set of more qualitative initiatives, whose definition must be based on analyses of the present situation in terms of processes and resources. This will be described in the following pages.

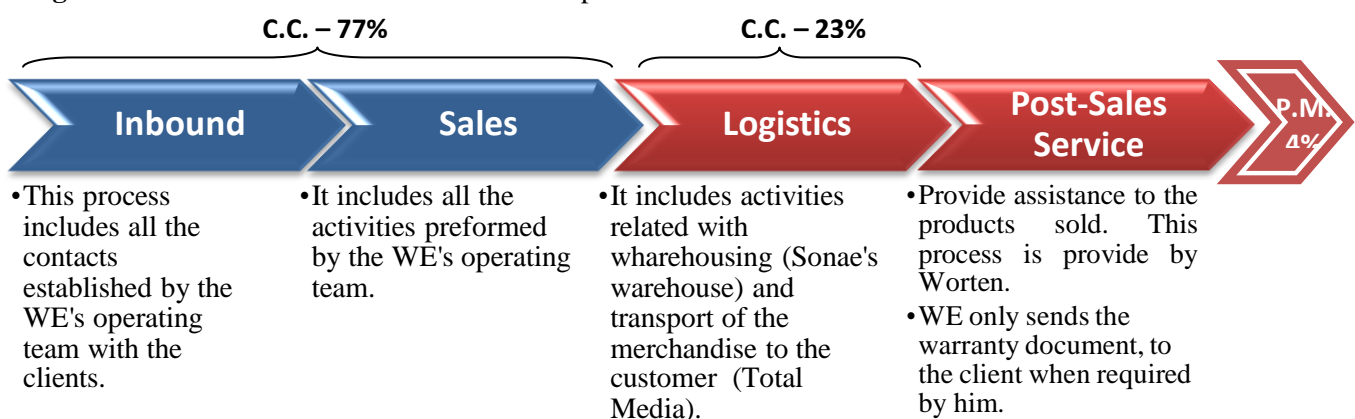
4. Present products and Services

WE offers a wide range of entertainment and electrical retailing goods. It has in its portfolio 6 lines of products: large domestics, small domestics, entertainment, products related to image and sound, informatics and telecommunications. In addition to the brands of other companies, WE also has in its portfolio products from Worten's own labels, which provide cheaper alternatives for clients. WE also offers the after-sales service, through the Worten channel.

5. WE's Value Chain and Core Processes (and procedures)

The following value chain diagram reflects WE's processes. Some of these processes are outsourced to external suppliers (in blue are processes performed by Reditus and in red ones performed by Sonae).

Figure 2 – WE's Value Chain. Source: Own representation



¹⁰ These objectives were established based on survey results and comparing with current values from Worten

To complement this value chain diagram and in order to understand the cost contribution of each group of processes¹¹. The cost contributions (C.C.), incurred with Inbound and Sales, cannot be differentiated, since they are paid together to Reditus. Regarding the costs contribution of the Logistics process, it only includes the shipping costs, since the warehousing does not represent any significant additional cost to WE. The After-Sales Service also does not implies any additional costs to WE, since this process is provided by the Worten. The following table it will presents several activities and tasks associated with the sales process¹², as well as the respective SLA's, flow times and run times¹³:

Table 1 – Activities, task and respective timing of WE. Source: Own representation

Activity name	Tasks	KPI	Run time	Flow Time	SLA
Quote Request (Reditus /WE)	<ul style="list-style-type: none"> • Reception of the quote request • Check availability with commercial and stock managers • Answers to the client • New client: request to Financial Department (DSA) to create the client 	<ul style="list-style-type: none"> • Time to receive feedback from managers • Time to process and answer the quote request 	24H 40 min	10 days	72 hours
Client's Creation (Sonae)	<ul style="list-style-type: none"> • Create in the IT systems (Retek and SAP), the numbers associated to the client. 	<ul style="list-style-type: none"> • Time to create a new client in the IT systems 	-	5 days	5 to 8 days
Opening of articles (Reditus/WE)	<ul style="list-style-type: none"> • Assign the article to the client in Retek 	<ul style="list-style-type: none"> • Time to assign the article to the client in Retek 	10 min	24H	-
Order processing (Sonae)	<ul style="list-style-type: none"> • Stock Manager (S.M) assigns the article in the warehouse to the client 	<ul style="list-style-type: none"> • Time to request to S.M. to assigns the articles • Time to S.M. assigns the articles 	5 min 1H	1H	24H
Price Marking (Reditus)	<ul style="list-style-type: none"> • Mark up the price in Retek 	-	5 min	24H	-
Order's preparation (Sonae)	<ul style="list-style-type: none"> • Warehouse's preparation of the order to be collected by the shipping company. 	<ul style="list-style-type: none"> • Time to prepare the order 	8H	24H	24H
Delivery (Total Média)	<ul style="list-style-type: none"> • Schedule order's delivery with the shipping company; • Approve/reject the shipping budgets. • Delivery the order to the client 	<ul style="list-style-type: none"> • Time needed to schedule the collection • Time to deliver the order (since schedule collection) 	15 min 5H	24H	24H
Invoicing (Reditus)	<ul style="list-style-type: none"> • Extract the invoices from Retek • Send the invoice to the client. 	<ul style="list-style-type: none"> • Time need to send the invoice (since the delivery of the order) 	10 min	24H	24H
Total			4 days	14 days	5

¹¹ The details of the costs of each process can be consulted in appendixes, internal data section, table 2

¹² A more detailed definition of the sales process can be consulted in appendixes, internal data section, table 3

¹³ The activities presented (except the client's creation) are sequential. The values presented are based on averages compiled from data collected from operational tasks. It is also assumed an average of 4 different articles per quote request

From the above table it can be seen that the most problematic activities are the ones present in WE's sales process, which will be the focus of analysis and respective recommendations. Two of the main previously identified problems can be confirmed in this table: the quote response and delivery times. Both timings are directly related with the sales process and from the customer's point of view they are two of the most important factors when choosing the electrical retailing supplier¹⁴.

Regarding the quote request response time, WE receives on average 12 new quote requests per day, which represents 1 quote request every 90 minutes¹⁵. Due to the operator waiting time (caused by other activities performed at the same time) the response time for each quote is on average 10 days, despite the fact that the actual time to answer the quote request, takes on average 40 minutes. In case of big orders¹⁶ or unavailability of the article requested by the client, the commercial manager has to be consulted in order to provide the respective discount or to suggest an alternative to the client. In this case the time to reply needed increases from 40 m to one day. From these facts, it is possible to conclude that the activity with the biggest flow time is the quote request, in particular its waiting time.

In what concerns the delivery time, WE currently delivers an average of two orders per day, which represents a cycle time of four hours. Given that currently only 25% of all quote requests are accepted by the clients, on average there are three orders¹⁷ to be delivered per day, while WE is only delivering 2 per day. The two activities with the highest impact on the delivery time (24H) and with the biggest difference between the run time and the flow time are the opening of the article and the price marking. Additionally, for new clients, the time to create the client impacts 5 days in the delivery time.

Answering to client's phone calls (informative) is an activity performed by WE operating team that is not mentioned in the previous table, since the duration and the number of phone calls is completely

¹⁴ Based on survey results. More detail information regarding the most important factors when choosing the electrical retailing supplier can be consulted in the appendixes, survey results section, figure 2.

¹⁵ Assumes 8 working hours per day

¹⁶ According to a discount's table provided by the Worten's commercial department

¹⁷ 25% of the 12 daily quote requests receive

unpredictable¹⁸ and they can occur any time during the sales process. Still, since the average time of conversation is 5 minutes, this activity has impact on the time available to work on other activities.

These activities involve several intervenient from different business units and companies, as referred in brackets in the previous table (Sonae, Reditus, TotalMédia). Which add more phone calls and follow-up to this WE team because they have also to make all the contacts between the different intervenient in the process and clients. The client's creation (DSA), the order processing (S.M.) and order's preparation (Warehouse) are all activities carry out by other business units from Sonae (which have responsibilities to other internal clients besides WE. Regarding the delivery, Total Média is the company which guarantees the transportation of the merchandise to the clients. Sonae participates in Total Media capital structure, but does not belong directly to the group.

From the value chain and respective processes and activities analysis, it is possible to observe some of the previously mentioned synergies between WE and Sonae, which allow cost savings for WE and Sonae, but also generates difficulties in control and communicate among the different intervenient. From the analysis it is also possible to identify the quote request, the client's creation, the opening of the article, the price marking the critical activities responsible for the long costumer waiting times. Additionally, the inexistence of a follow up activity also contributes to the lack of customer service quality. Given these critical activities recommendations will be later suggested. Some of these suggestions will be related with the resources and capabilities possess by WE.

6. VRIO

Before presenting any suggestion, besides the process mapping, the current resources and capabilities from WE will be assessed using the VRIO framework, not only to identify the ones which are a source of competitive advantage to WE, but also to describe the ones which are still in deficit. This framework will be complemented by some additional explanation.

¹⁸Varies from 40 to 200 phone calls received per day

Table 2 – VRIO analysis. Source: Own representation

	Valuable?	Rare?	Expensive to imitate?	Exploited by the firm?	Competitive implications if exploited	Economic performance if exploited
Capable Human Resources	Yes	No	No	No	Competitive Parity	Below Normal
Brand awareness	Yes	Yes	Yes	No	Temporary Competitive Advantage	Normal
Established infrastructures network	Yes	Yes	Yes	No	Temporary Competitive advantage	Normal
Capable IT Resources	Yes	No	No	No	Competitive Parity	Below Normal
Simple and user friendly procedures	Yes	No	No	No	Competitive Parity	Below Normal
Diversified product Portfolio	Yes	Yes	Yes	Yes	Sustained competitive advantage	Above Normal
Human Resources						

Being a very youth business unit, WE until September 2013 only had 3 persons directly allocated to the project. Just in September, the team has increased to 4 persons from Sonae and another 5 as operators in the Contact Center. The 5 operators are responsible for managing all the administrative work related with the sales process, covering the whole end to end process, meaning since the first customer contact until the final product delivery to Portugal. The salary of these operators depends on the number of working hours and the work is distribution is done by task.

Data Management

WE uses Excel to store most of the information and it doesn't possess any BI or CRM systems. The only IT system used by WE is the Retek system. It is a system used to, among other features, store and access to all the data regarding the prices and stock availability of the products. This system was design to manage the inventory and allows to associate quantities, products and its prices in relation to Sonae stores. Typically it takes one day to associate a product to a store and one more day to register a price, WE needs to perform this tasks every time that makes a sale, taking one day to do it delays the whole process.

Worten effect (Brand Awareness, Established network infrastructure and Diversified Portfolio)

Applying the concept of synergies manager¹⁹, as it was seen in the value chain and processes analysis, Sonae facilitates cooperation across the different business units and WE. This cooperation contemplates sharing of activities and resources which results in synergetic benefits, such as scale advantage and transferring capabilities. The scale advantage enables WE to have cost savings by sharing Sonae's physical infrastructures (warehouse and Worten's stores) and human resources (Sonae's commercial managers). The large network of Worten's stores (144), allows WE to reach customers both in what regards to sales and post sales services, which is very difficult to imitate and any competitor has such a vast network of stores all over Portugal. In terms of transferring capabilities, WE benefits from the strong brand awareness, a vast variety of products portfolio from Worten and the possibility of, through the Worten Resolve, providing on time assistance to WE customers. This unique concept in Portugal, analyses and repairs (if possible) the malfunction of the products at the time the customer delivers it.

These kind of synergies, are not present in most of competitors and are very difficult to be copied, so if properly exploited by the firm, can be used as a sources of a competitive advantage both in terms of costs and differentiation.

External Analysis

1. Critical Success Factors

Based in industry and market analysis, particularly the survey results (question regarding the criteria used to choose the electrical retailing supplier), the following critical success factors were selected: reduced waiting times (both delivery and quote request response times); offer good value for money; increase the quality of the customer's follow-up, provide a personalized and efficient service; Large customer base

¹⁹Framework adapted from Goold, M. , A. Campbell and M. Alexander. 1994. *Corporate Level Strateg: Creating Value in the Multibusiness Company* y, New York: Wiley

2. Market Analysis and Target Segment

The electronic market for companies is relatively new, being under development in a phase of definition of boundaries, leading to lack of available data. Given these difficulties in finding objective data regarding this market, a sensitivity analysis was elaborated in order to estimate the market value of 315 Million Euros of the electronic Portuguese market for companies²⁰. WE currently has 6 different target segments, which are presented in the table below. This table was elaborated, based on the survey, working experience and the feedback received by the WE's commercial manager:

Table 3 – WE's current customer segmentation. Source: Own representation

Segments	Commercial Incentives	Exportation	Own Consumption	Own Consumption (partners)	Promotional Catalogs and Fidelity	State
Description	Firms offer the products to other companies	Firms resell the products outside of the Iberian market	Firm own consumption	Sonae's partners who use the products for own consumption	Firms offer products to their collaborators	State firms or public entities
1st Criteria	Quality of the Follow up	Response time to a quote request	Price	Quality of the Post-Sales Service	Provide updated products availability	Price
2nd Criteria	Range of Articles	Price	Quality of the Post-Sales Service	Existence of services associated to products (assurances, etc)	Price	Quote request response time
3rd Criteria	Price	Delivery Time	Quote request response time	Possibility of credit payment	Possibility of credit payment	Delivery Time
Frequency of purchase	Very often	Often	Punctual	Punctual	Very often	Punctual
Size of the orders	Medium	Very large	Small	Small	Very Small	Small
Acceptable quote request response time	1-2 working days	Same day	1-2 working days	1-2 working days	1-2 working days	1-2 working days
Acceptable delivery time	3-5 working days	1-2 working days	3-5 working days	3-5 working days	6-8 working days	3-5 working days

3. Benchmark and Competitive Assessment

As well as the market analysis, also the benchmark and the competitive assessment which will be presented below are based on data from the consultancy report from REDITUS²¹.

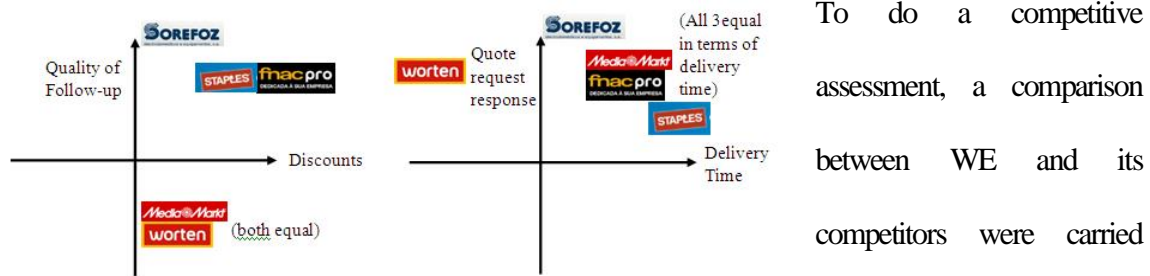
The identification of the competitors²² was based in two criteria: if the company assessed offers at least one specific condition that is only applicable to the corporate segment and if the products and services offered are similar to the ones offered by WE.

²⁰ The data provided was based on the consultancy report from *Reditus Consulting*

²¹ Reditus Consulting, March 2013 "Apoiar a Worten na definição e operacionalização do negócio Worten Empresas"

The positioning of competition in relation to WE is analyzed by the perceptual maps regarding some of the most relevant key customer service attributes:

Figures 3 and 4: Perceptual maps of main competitors. Source: Own representation



out²³. It demonstrates that WE is worse or way worse than competition in terms of range of services, promotion of the B2B segment, quality of the follow-up, quote request response and delivery times. In terms of payment conditions, range of products WE is way better than competition²⁴.

Although the competitive assessment does not show a clear tendency regarding prices (some WE's products are cheaper, other are more expensive than competitors), WE currently positions itself mostly as being competing in prices. This averment is made based on the Worten's current value proposition of competitive commercial prices, no shipping costs and favorable payment conditions. These last two factors are related with the final cost to the client and were not taking into account in the competitive assessment. Regarding market share²⁵, besides the suppliers who sell directly to companies, WE is the market leader, being closely followed by Fnac.

Gap Analysis

1. Based on Literature Review, Internal and External Analysis a Quantitative Data

Analysis and a set of KPI's were proposed to support the major Gaps.

To complement the benchmark and to make a more robust gap analysis, a comparison between the benchmark, the client's expectations regarding an electrical retailing supplier and their perception of the current level of service provided by WE was done through a survey applied to WE's customers. The

²² More information can be consulted in appendixes, internal data section, full list of WE's competitors

²³ The attributes were chosen by Reditus Consulting

²⁴ More detailed information regarding the comparison of the attributes between WE and competitors can be consulted in appendixes, internal data section, figure

²⁵ More details regarding market share can be consulted in appendixes, internal data section, figure 3

sample includes results from Portuguese and Spanish clients since both the geographical and cultural aspects were not relevant for the analysis performed and the results of both countries were similar.

Discussion of the survey results²⁶

Most of the clients approach WE through its commercial manager or by reference (51,61%). This data supports the lack of promotional work, which is only operated by the WE's commercial manager.

In terms of general satisfaction in what regards to the WE's services, the clients are barely satisfied, since only 11,17% of the clients rated as very satisfied the WE services²⁷. It can be concluded that customer satisfaction can be greatly improved. To do so, it is important to understand which factors are more relevant to the clients, when choosing its electrical retailing supplier and compare them with the service levels currently provided by WE, according to clients:

Table 4 – Gap Analysis. Source: Own representation

Decision Criteria	Benchmark	Surveys		
	Comparison with competitors	Ranking of importance	Provided by WE	GAP
Prices	Equal	1º	2,9	Aligned with competition
Delivery Time	Worse 24h-48h	2º	2,9	Below the expected
Quote request response time	Worse	3º	2,9	Below the expected
Range of Products	Way better	4º	3,6	Match the expected
Possibility of Credit Payment	Way better	5º	Yes	Match the expected
Quality of the Follow up	Worse	6º	3,2	Barely match the expected
Quality of the Post-Sales Service	-	6º	Provided by Worten	Not applicable
Range of Services	Way worse	7º	-	Not available
Acceptance of tender specification	-	8º	No	Not available

From the above table, it can be observed that the three most valuable criteria to customers have a low classification in the ranking, being below their expectations. Also, when comparing with the competition, WE is providing an equal or worse level on those key attributes. In the following three criteria, WE is able to provide reasonable levels, but the clients does not value those that much. The

²⁶ More detail information regarding the applied survey is available at survey section in appendixes.

²⁷ More detailed information regarding customers' general satisfaction can be seen in the figure 4 of the survey section in appendixes

range of products is the same offered by Worten (individual customers), so WE can offer to its client a vast portfolio of products without any additional cost. Regarding the possibility of credit payment, only includes partnerships with two insurance companies, which does not implicate additional costs to WE and given that WE performs way better than competitors, the current payment systems must be kept. Customers are on average satisfied with the quality of the follow up, but when compared with the competitors, WE is providing a worse quality of the follow up. This fact represents a gap that must be considered to be improved²⁸.

The last three criteria, are not provided by WE, since the post sales service is provided by Worten and WE doesn't not provide any services or accept any tender specification. Still, these factors are less important for the client, so there is no need at this time to dedicate additional attention to them.

Given the results presented, price, quality of the follow up, quote request response and delivery times and, are the gaps that will be analyzed in more detail, in terms of process, strategic and resources views.

2. Processes Gap

The two most valuable criteria related with the process gap for the clients are the delivery and the quote request response times. The delivery time involves all the WE's activities since the order confirmation until the delivery to the client. Here, the gap is related with the defined SLA (5 working days), the customer's expectations and the delivery time of competition (1-2 days). Almost 30% of the customers expect a delivery time of 1-2 working days, and 46% 3-5 working days²⁹. To be able to reduce WE delivery time, the activities with the biggest flow times will be analyzed. The opening of the article, the price marking, the order's preparation and the delivery have flow times of twenty-four hours. While the two last ones concerns to physical activities which have higher run times (highly dependent on location and on size orders), the first two have very low run times but due to the informatics system,

²⁸ According to the survey, around 53% of the customers consider WE's follow up reasonable throughout the sales process

²⁹ More detailed information regarding customers' general satisfaction can be seen in the figure 7 of the survey section in appendixes

delays the process in forty-eight hours. So, by eliminating the waiting times of these activates the delivery time would reduce almost two days. This measure will be discussed in the resources gap analysis. Regarding the quote request response time, the gap is even higher. According to the survey³⁰ 91.80% of the customers expect to receive the budget to their quote request in the same day or 1-2 working days after the request, while WE is currently providing an average of 10 days of quote request response time. The improvement measures related with these identified gaps are related with the strategy or the resources and capabilities from WE, therefore they will be presented below, in the respective area.

In what regards to process measures, currently there is not any process management activity in the WE's process. The implementation of this activity it is of the utmost importance to monitor the KPI's of each activity and the respective performance of the processes. This measure will be the starting point to identify future performance gaps and proceed with continuous improvements.

The previously identified gap regarding the quality of the follow up can be improved through the implementation of a new activity in the sales process to perform an effective follow up. This activity contemplates contacting the client if 7 days after the budget be sent, the client does not gives any answer, in order to understand the reasons why he didn't accept the budget and if possible meet the requirement of the customer proceed with the order. By performing it, WE is able to not only understand the reasons why potential clients do not proceed with the order but also increase the current percentage of quote requests acceptance (25%) and consequently the number of orders to deliver. In addition, the customer should be also contacted one day after the delivery, in order to understand the customer's selling experience with WE. This contact will transmit to the customer a greater sense of accompaniment, reducing also the gap related with the quality of the follow up.

³⁰ More detailed information regarding customers' general satisfaction can be seen in the figure 9 of the survey section in appendixes

3. Strategic Gap

The prices that are being practiced by WE, according to clients and benchmark study³¹, does not differ a lot from the competitors. Still, this is the most valuable decision criteria to most of the WE's clients. By understanding the different needs of the clients, WE will be capable to provide them a respective value proposition, offering competitive prices to the segments which require it, by taking advantage of the cost savings coming from the scale advantage and selling their own private label products, but charging an higher price to the ones which demands lower delivery times. This way, the price to charge would be not only variable according to the volume but also to the required delivery time. This measure allows WE to differentiate from competition and increase customer satisfaction..

Regarding the time need to answer to the quote requests and to deliver the products, the previously described WE segmentation model, is not being applied, since the different needs of the clients are not influencing the way WE deals with them. Only exporters and some regular clients, who come from WE's commercial manager, are being prioritized. This situation results in long response times to current and potential new clients. From this fact it is possible to conclude that the WE's current segmentation model is not being effective. The current segmentation model can be adapted so that it becomes more effective, according to the following table:

Table 5 – Segmentation model adaptation proposal. Source: Own representation

Segments	Commercial Incentives	Exportation	Own Consumption	Promotional Catalogs and Fidelity
Description	Buyer offers the products to other companies	Resell the products outside of the Iberian market	Buyer use to own consumption	Buyer offer products to their collaborators
Price importance	Important	Very important	Very important	Important
Acceptable quote request response time	1-2 working days	Same day	1-2 working days	1-2 working days
Acceptable Delivery Time	3-5 working days	1-2 working days	3-5 working days	6-8 working days
Frequency of purchase	Very often	Often	Punctual	Very often
Size of the orders	Medium	Very large	Small	Very Small
2013 Sales from WE (K€)	275,00 €	14.200,00 €	3.325,00 €	79,00 €

³¹From the survey results, around 54% of the clients, consider WE's prices, equal/indifferent from competition. The benchmark from Reditus Consulting shows an undefined tendency regarding prices.

The objective is to reduce the number of segments, since some of the current segments have similar customer needs. This clustering is made based on the three most important customer's decision criteria, identified in the survey. Given the lack of information regarding the market value of the segments, the value of WE sales is presented as an indicative value of the segment.

Given the most important needs identified to each segment, the value proposition was elaborated: commercial incentives –to provide a vast range of affordable products in 1 week or less; exportation – to offer the most competitive price in a two days' time or less; own consumption –to offer the most competitive price in 1 week or less; promotional catalogues and fidelity –to provide a daily updated catalogue of affordable products and deliver in two week time or less.

In order to offer a lower quote request response time and to increase the quality of the follow up, a commercial manager must be allocate to each of the four segments. Each one will be responsible to not only manage the most valuable clients (in terms of purchasing volume and frequency of purchase), but also for the acquisition of new clients of their respective segments. This way, not only the most valuable clients do WE will benefit of smaller waiting times and a more personalized service, as well as the WE's operator's team would reduce its volume and therefore being capable of reduce customer's waiting times.

Provide a service attached to the products sold is a good way to increase the profit margin. Worten already sell warranties extensions and insurances to its individual customers. WE's could take advantage of these synergies with the individual segment and start also selling these two services, since the additional costs to provide them are minimum and are services which customers value (26% of the surveyed customers would like to use these two services). Beside these two services, when asked to suggest services that they would like to buy, customers mentioned maintenance (19%), installation (12%), supplies management (12%) and equipment renting services (12%). Since these services

require additional significant investment, a cost-benefit analysis should be done afterwards to assess the implementation of each service.

4. Resources and Competences Gap

Regarding the human resources, each member of WE operation's team, would become responsible for the whole selling process per customer, except the supervisor. Also, the remuneration of the team should be changed to a fixed base payment plus a variable component, which will depend both on the quote request response time and number of deliveries. These two measures will create an incentive to operators not only reduce the quote request response time, which is currently on 10 days while customers accept 1-2 two days, but also to increase the number of deliveries per day, currently on two while the current outflow rate is three. In addition, once is the same operator to do the entire follow up of the customer's order a more personalize service is provide.

Regarding IT resources, as seen in the process gap, the current IT merchandise system (Retek) which contains all the information regarding the products to be sold (stock, prices) used by WE, was not design to process quickly new clients and prices. This way this system must be redesign or a new one should be adopted, in order to eliminate the current 48H flow times of the opening of article and price marking activities, reducing the delivery time in two days. Assuming that these two activities will still be need to be performed, the adoption of a new IT merchandise system would not implicate major process changes but implies training to WE's operating team on it.

In order to deal with the large amount of data and to better know its clients, WE should implement a CRM system. This measure enables WE to offer a more personalized service, according to the real needs of the customers. In addition, it may result in an additional source of revenues, coming from cross selling.

Not only to deal with the large amount of data related with the quote requests, but also to reduce its response time to few minutes, a website to WE should be created. This website would allow clients to

submit its quote requests directly through the website, filling in the designated fields, including the company's detail information, the reference and description of the article and number of units. This information would be directly integrated with the IT merchandising platform, which would directly check the stock availability and the respective price, according to the tabulated prices and respective segment. Alternatively, the client can still contact WE through e-mail, knowing in advance that the response time would be larger.

Still related with the IT resources, WE must implement a platform to easily establish direct contact between the WE operation's team and the other intervenient in the sales process (Sonae's commercial and stock managers, logistics and DSA), enabling communications and data sharing, in an easy and quick way. This measure reduces the current delivery time 1 day, therefore increasing the number of deliveries per day, through reducing the current twenty-four hours response times of the both commercial and stock managers.

Implementation Plan³²

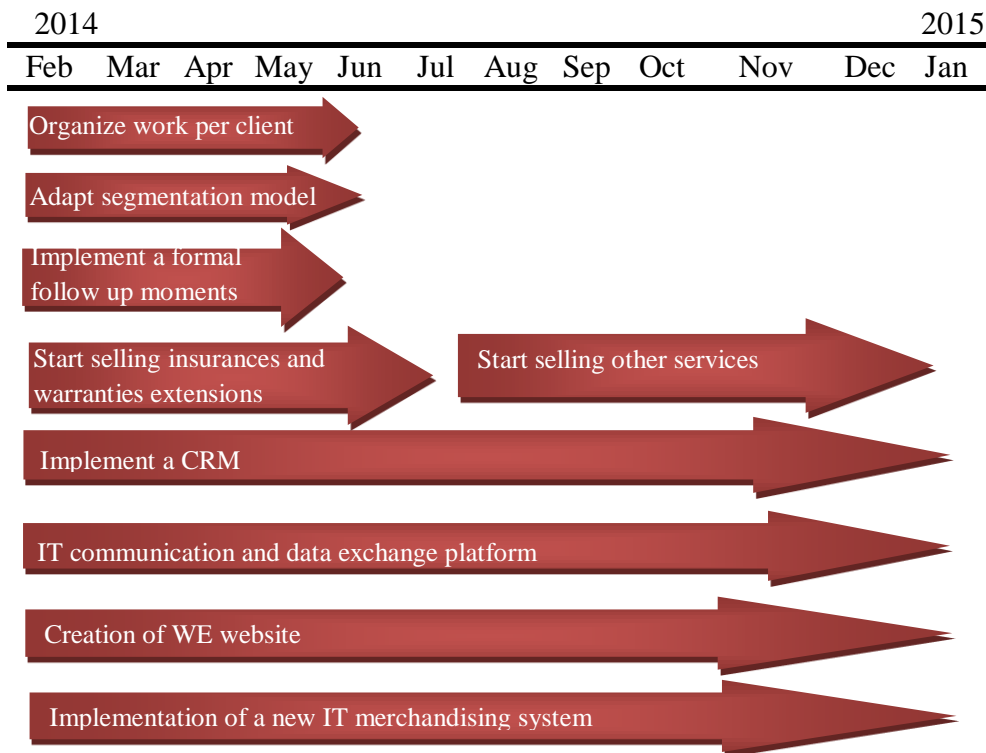
Table 6 – Implementation plan. Source: Own representation

Objectives ³³	KPI	Target	Initiative
Increase the quality of the customer's follow-up	-Percentage of responses in customer satisfaction survey	-30% very satisfied -5% unsatisfied -0 claims; -40% quote request acceptance - 40 % purchase repetition	-Adapt segmentation model -Implement a CRM -Implement a formal follow up moments
Reduce the quote request response time	-Customer waiting time -Response time from the different intervenient in the process	-1 day -1 hour	-Adapt segmentation model -Organize work per client with variable wage per order delivered. -IT communication and data exchange platform -Creation of WE website
Offer good value for money	-Revenues coming from new services -Cross-Selling Sales	-100K -100K	-Implement new services -Implement a CRM
Reduced delivery time and increase its number	-Time to deliver the order -Number of daily deliveries	-2 days -3	-Implementation of a new IT merchandising system -Organize work per client with variable wage per order delivered
Develop the management processes	-Number of implemented improvement initiatives	-100% of the proposed initiatives	-Create a process management activity

³²Based on the Harvard K&N Southwest Airlines example

³³The objectives and the targets proposed are based on WE's established main objectives

Figure 5 – Chronogram of activities. Source: Own representation



Risk analysis

The scope and depth of required changes, implies a high risk³⁴ of not being possible to effectively implement the changes, jeopardizing the targeted results. It can be minimized by elaborating a detailed plan and a roadmap to each of the proposed changes.

There is a moderate risk, that the Sonae's board does not give enough funding to invest in the proposed measures, given the large investment need for implement them. To diminish it, the benefits of these measures (the improvement on the service provided), must be clearly demonstrate. In order to do this the WE's exponential sales growth and the predicted upcoming clients (such as the insurance companies) can be also used to prove to the board the necessity of investing in this changes to be able to keep up with demand.

³⁴ The risks are classified as high, medium or low according to its probability and impact of occurrence.

Conclusions and Recommendations

The present thesis presented an overall view of initiatives that will drive WE to another platform of success. It has been described not only the actual action to be taken, but also management process which should be incorporated by the business unit as an ongoing way to produce improvements and monitor quality to the clients.

The gap analysis proved to be a very strong tool, regarding the concrete situation of WE. The proof is that both the process mapping and the survey results showed gaps in terms of quote request response time with an average of 10 days, while 92% of the surveyed customers require it in the same day or up to two days. This gap can be reduced to 2 days by adapting the current segmentation model, change the WE operating team work organization and the implementation of an IT communication platform, according to what was described in the gap analysis section. Furthermore, a new WE website connected with the IT merchandise system, would allow the quote request to be answered in few minutes for the clients who decide to use it. Regarding the delivery time gap, 75% of the customers consider the time very slow, slow or reasonable and the competitors are offering an average delivery time of 1-2 days, which indicates that the current delivery time of 5 days is not acceptable. To decrease the delivery time in two days, the current IT merchandise system (Retek) should redesign or a new one should be adopted, so that the changes performed in the systems would be immediately effective.

Besides the customer waiting times, the quality of the follow up is also a relevant decision criteria that Worten must be capable to improve in the next year. It can be done by adapting the current segmentation model, implementing a formal follow moments and CRM system, according to the implementation plan.

It is required an additional investment by WE to keep up with the increasing demand. The main outcomes of this change project included quote requests in 1 day, delivering the orders in 2 days and assuring a quality and personalized sales service to all customers. This will provide superior customer

experience and, therefore, differentiate from the competitors, who are already ahead of WE in many fields.

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A work project, presented as part of the requirements for the Award of a Masters Degree from NOVA – School of Business and Economics

Achieving Better Service Level Results, through Improvements in Procedures

Booklet 2 of 2

Tiago Gonalo Begucho Moreira

Student Number 1259

A Project carried out on the Direct Research Internship, under the
supervision of:

Prof. Filipe Castro Soeiro

January 6th, 2013

Appendix

Internal data

Table 1 – Revenues and Profit Margin from WE per segment. Source: Internal data from Worten

Segment	Sales	Sales Percentage	Contribution	Margin	Margins Percentage
Exportation	14.200.000,00 €	79,42%	3%	426.000,00 €	60,64%
Commercial Incentives	275.000,00 €	1,54%	8,90%	24.475,00 €	3,48%
B2B Clients ¹	3.300.000,00 €	18,46%	7,60%	250.800,00 €	35,70%
Promotional Catalogs and fidelity	79.000,00 €	0,44%	11,1%	8769,00 €	0,12%
State	25.000,00 €	0,14%	14,4%	3600,00 €	0,05%
Total	17.879.000,00 €			702.511,90 €	

Figure 1 – Distribution of WE's customer segments. Source: Own representation

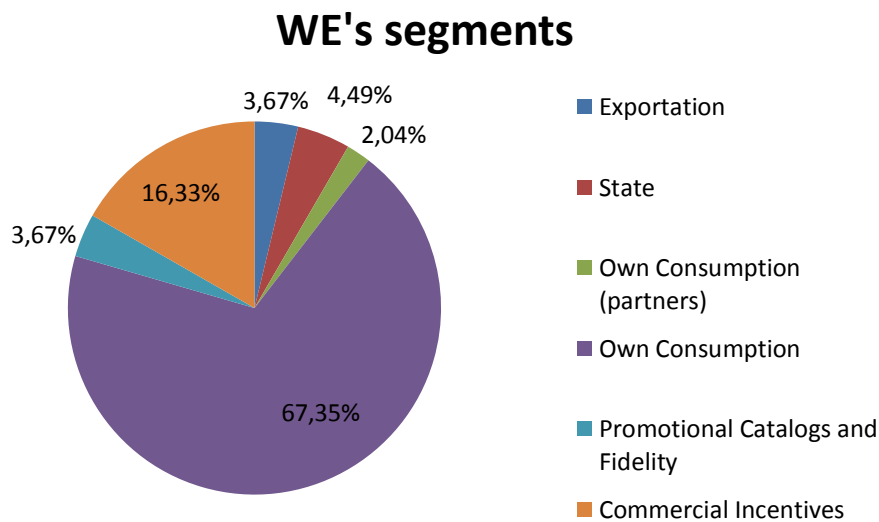


Table 2 – 2013 WE costs per process. Source: Internal data from Worten

	Inbound and sales	Logistics	Post-Sales Service
Costs with Reditus	46 625,00 €	-	-
WE commercial manager salary	20 000,00 €	-	-
Shipping Costs	-	19.778,18 €	-
Total Cost	66.625,00 €	19.778,18 €	-
Percentage Costs	77,11%	22,89%	-

¹ The B2B clients include the own consumption and own consumption (partners) and the sales from the Microsoft Project, being the last one the most significant

Figure 2 – Evolution of WE Sales. Source: Internal data from Worten

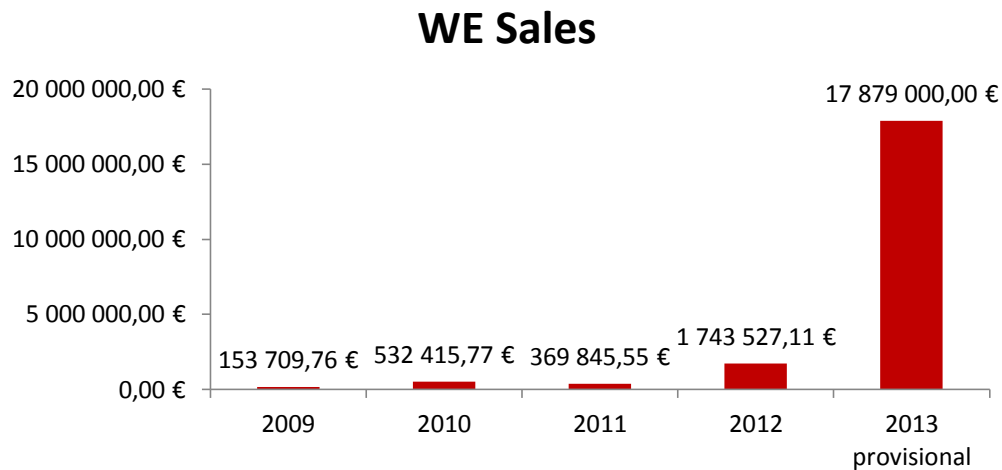


Figure 3 – Portuguese B2B Electrical Retailing market shares. Source: Internal data from Worten

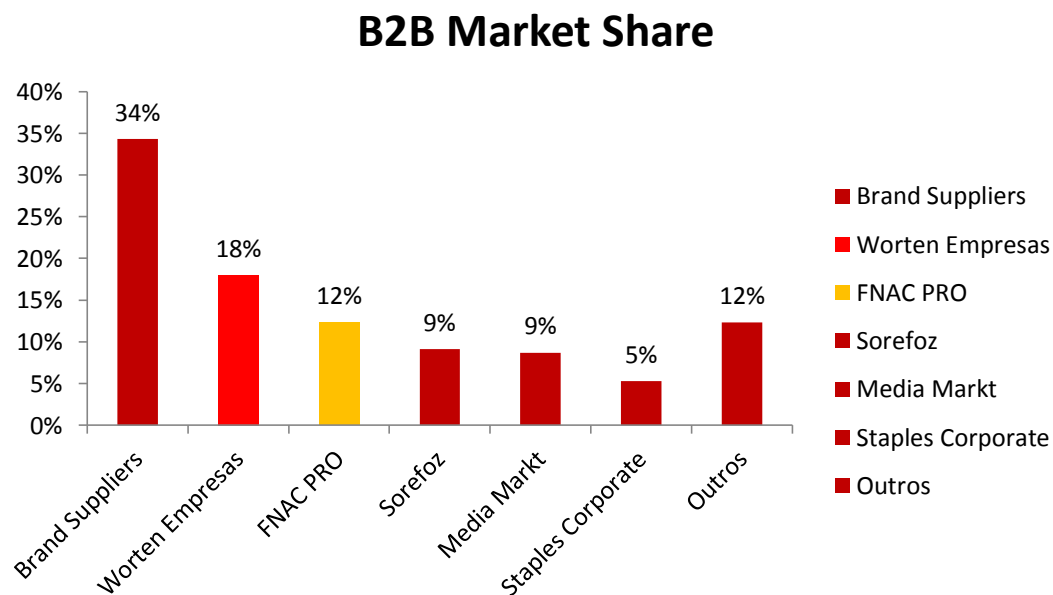


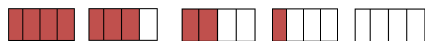
Table 3 – Detailed description of WE's sales process. Source: Own representation

Objective	Business Risks:	Key Controls:	Event Beginning:	Event Ending Process:
<ul style="list-style-type: none"> Deliver the products in the in 5 days after the client's order. 	<ul style="list-style-type: none"> Nature of the B2B clients: <ul style="list-style-type: none"> Knowledgeable and demanding clients Constantly comparing alternatives Switching costs are very low. 	<ul style="list-style-type: none"> Time to respond to the quote request Time to deliver the product Number of customer re-buying Revenues Customer Satisfaction 	<ul style="list-style-type: none"> Reception of the quote request 	<ul style="list-style-type: none"> Delivery of the order and invoice submission

Figure 4 - Benchmarking attributes. Source: Reditus Consultancy Report

Range of Products				
Range of Services				
Discounts				
Promotion of the B2B Segment				
Quote request response time*				
Delivery Time				
Payment Conditions				
Quality of the Follow-Up				

Label – From way better to way worse:



*The classification from Reditus' report was updated, since it was assumed a quote request response time of 24h-48h, when currently WE provides an average of 10 days.

Full list of WE's Portuguese competitors (from Reditus' report):

Fnac Pro, Staple Corporate, Makro, Chip7 Empresas, Sorefoz, Pixamania Pro, Media Market, Rádio Popular, Box, El Corte Ingles e Amazon.

Survey

Survey Questions

The survey sample contemplates 62 WE's customers, 41 from Portugal and 21 from Spain, representing around 20% of the population.

1. In the last year, what is the approximate amount spent on electrical retailing items, regardless of the supplier?
2. List, in order of importance, what factors are most important in choosing your provider:
3. Where did you have knowledge of the Worten Empresas channel?
4. What is your level of satisfaction with the services provided by WE?
5. How do you rate the range of products provided by WE?

6. When comparing with other suppliers, do you consider WE's prices:
7. What is your expectation regarding the response time to a quote request?
8. How do you assess the response times of WE to their requests for quotations?
9. What is, for you, the acceptable delivery time of an order (from the date of its confirmation)?
10. How do you assess the delivery times of WE?
11. How do you assess the follow up provided by WE throughout the sales process?
12. What kind of items is not available by WE but you would be interested if it were?
13. What kind of services would you like to be provided by WE?

Survey Results

Figure 1

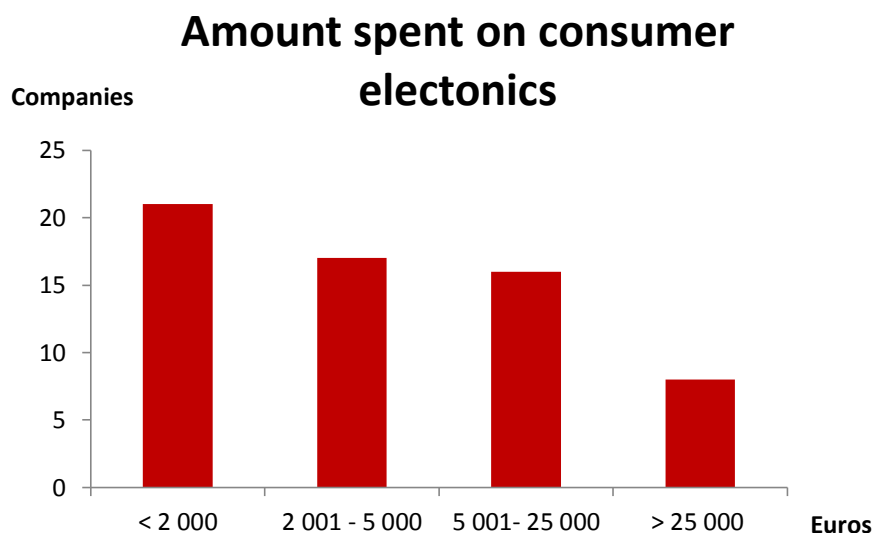


Figure 2

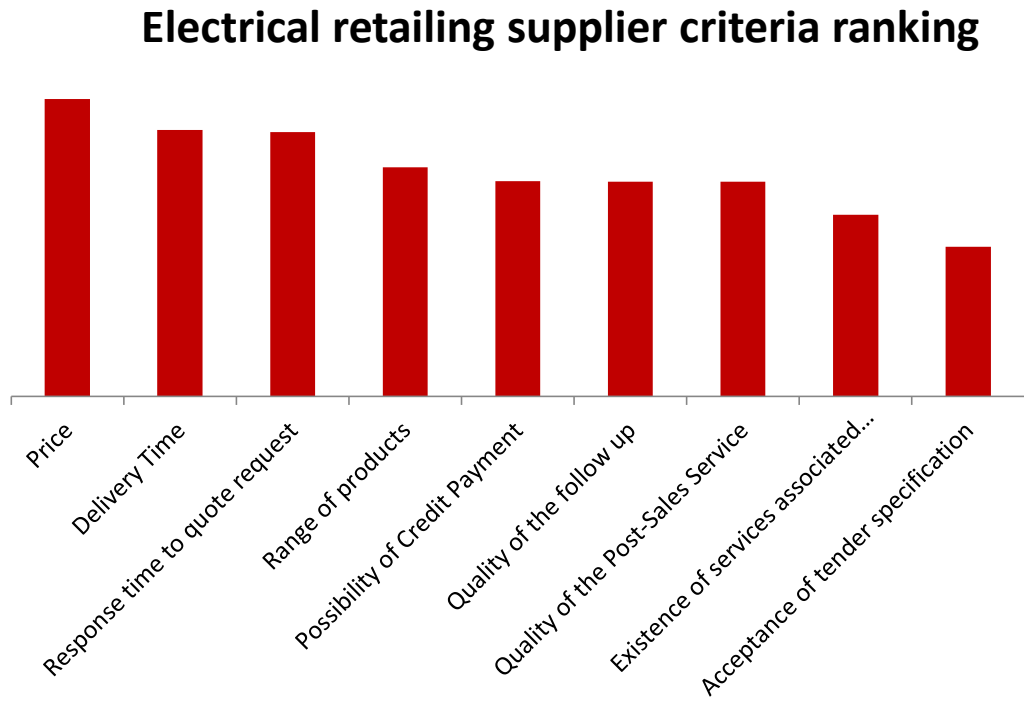


Figure 3

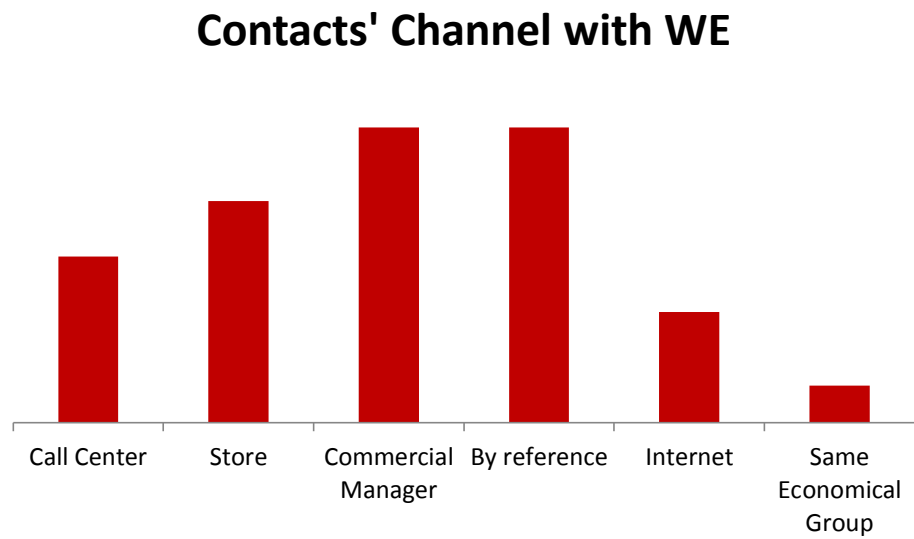


Figure 4

Level of satisfaction with service provided by WE

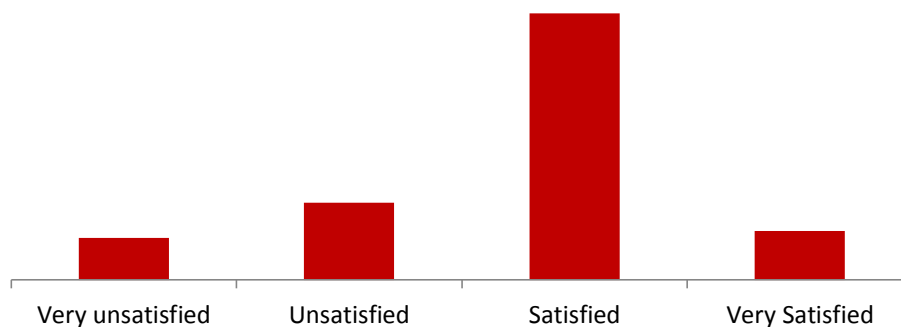


Figure 5

WE's range of products

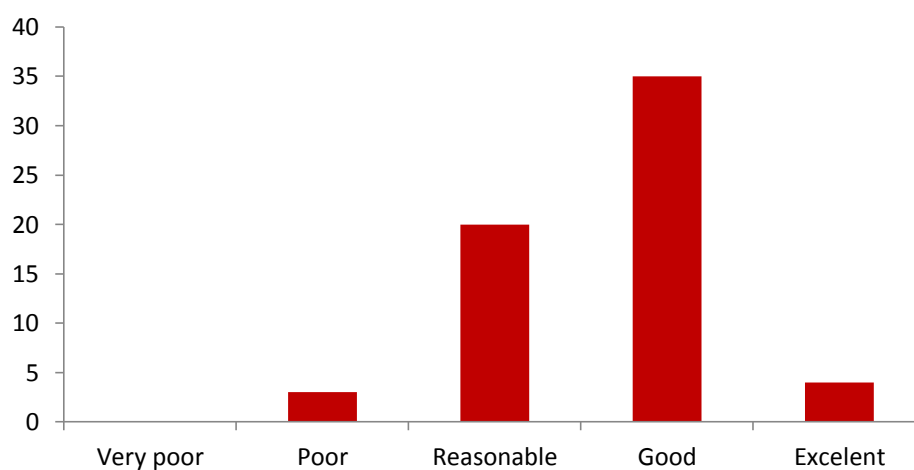


Figure 6

WE's prices

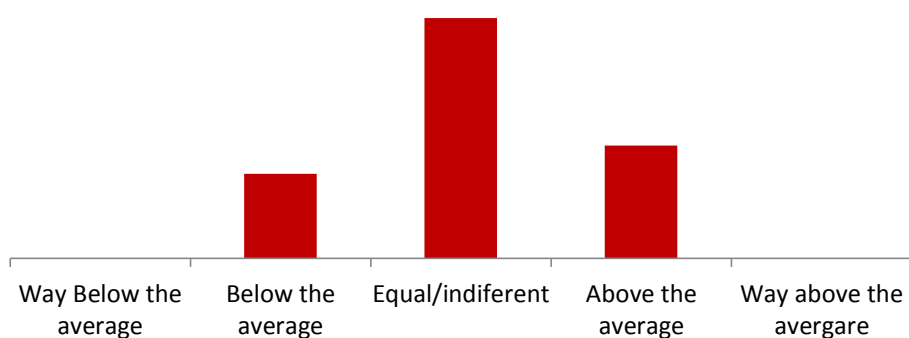


Figure 7

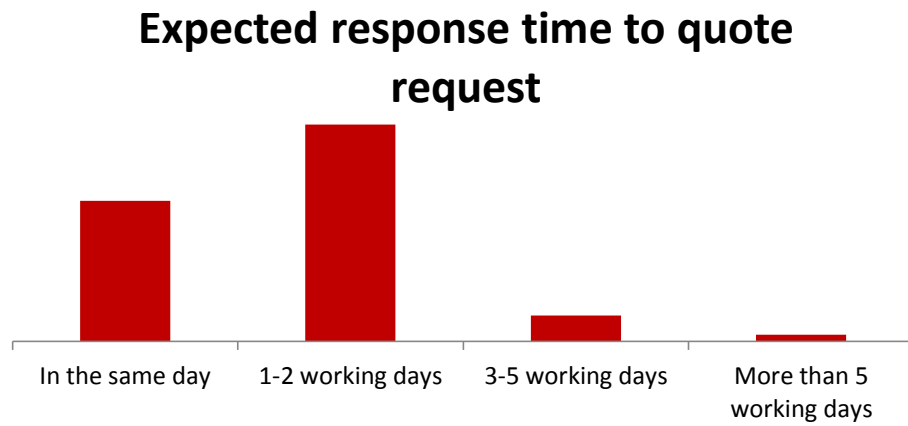


Figure 8

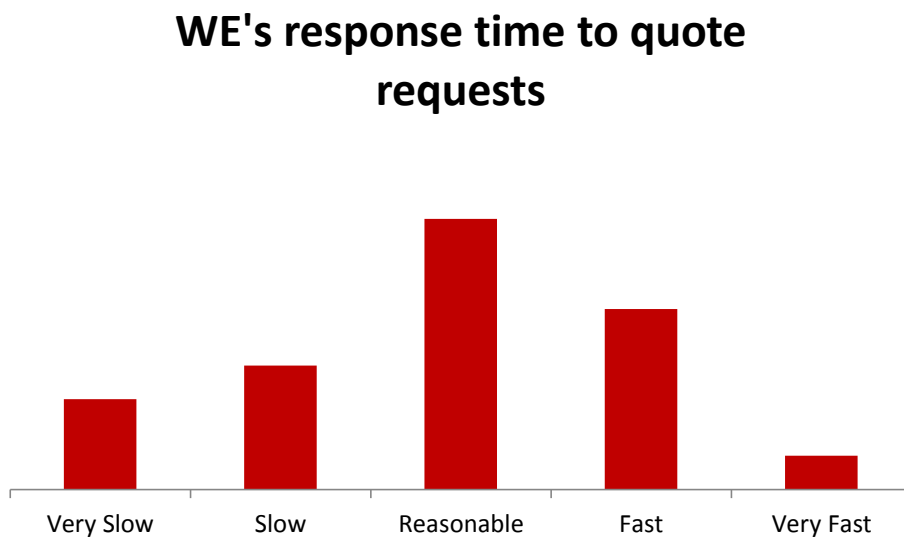


Figure 9

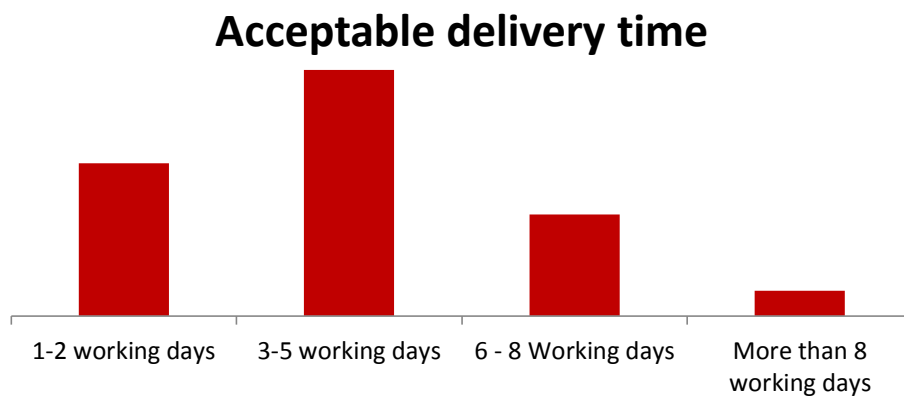


Figure 10



Figure 11

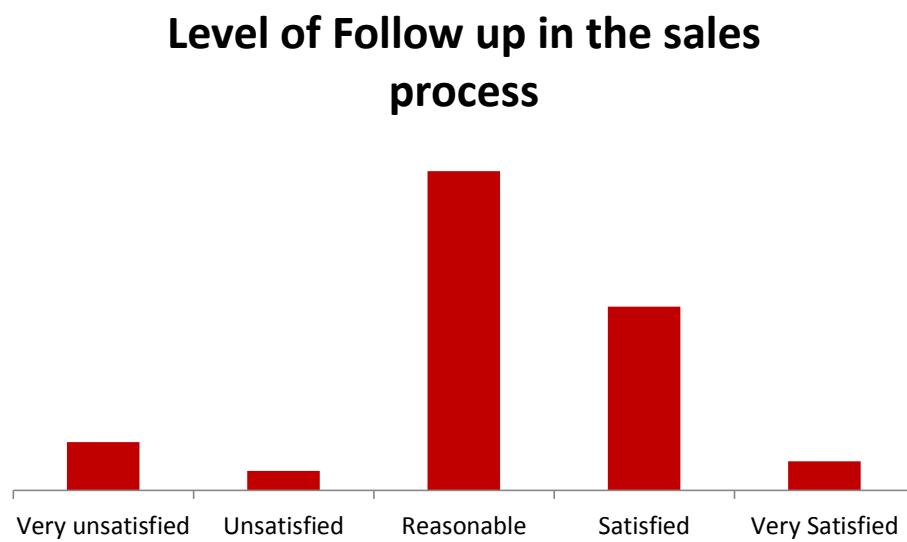


Figure 12

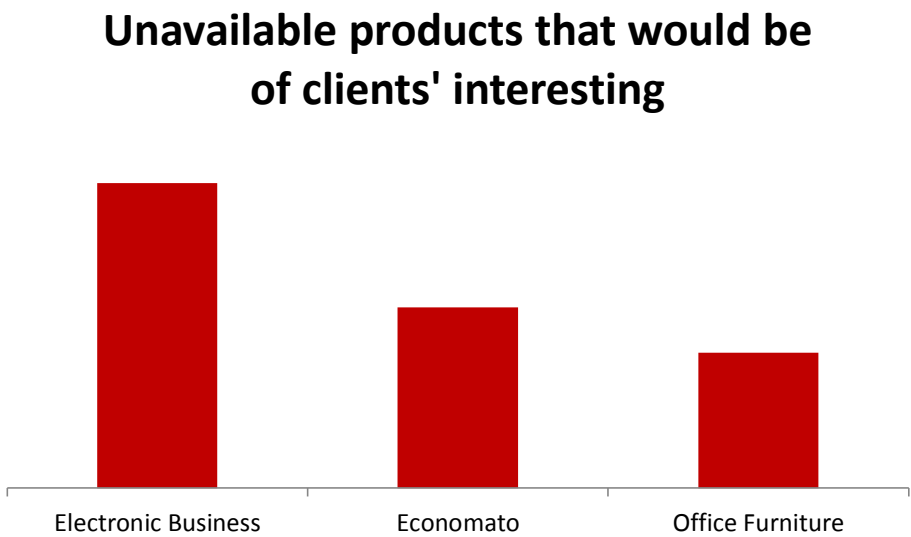


Figure 13

